



Environmental Management Consolidated Business Center (EMCBC)

Subject: Technical Evaluation of Cost (TEC) Procedure in Support of Formal Source Evaluation Boards (SEB's) for Competitively Awarded Contracts

Implementing Procedure

APPROVED: (Signature on File)

EMCBC Director

Office of Cost Estimating and Analysis

1.0 PURPOSE

The purpose of this procedure is to identify the process for conducting the Technical Evaluation of Cost (TEC) and developing documentation of the evaluation, in support of a Source Evaluation Board (SEB) for a contract to be competitively awarded for the Environmental Management Consolidated Business Center (EMCBC).

2.0 SCOPE

The Government may use various price and cost analysis techniques and procedures to ensure a fair and reasonable price. This procedure has been prepared to provide general guidance in cost analysis techniques and in the preparation and use of independent Government cost estimates (IGCE) for ensuring a fair and reasonable price, given the circumstances of the acquisition. The primary use of the IGCE is for performing a technical evaluation of costs (TEC) for new cost reimbursement contracts, and in limited circumstances for new firm fixed price contracts. Once an IGCE has been completed, all offers received can be compared to the IGCE. Differences and similarities can be compared and various conclusions can be drawn. Examples of what this comparison might disclose include the following:

- a) The proposals overstate work required.
- b) The proposals understate the work required.
- c) The SOW/PWS does not sufficiently explain the work requirements.
- d) The SOW/PWS is good, the IGCE is good, but the proposal prices are either too high or too low.
- e) The proposals may include ideas and/or new technologies not considered by the Government.
- f) IGCE may be flawed and/or have omissions which may need adjustment.

Additionally, the comparisons are used to document negotiation objectives and to document award decisions. The TEC is an integral part of the SEB's proposal evaluation. The scope of this procedure is to establish a systematic approach to conduct and document the TEC in support of the SEB, and to establish how the Cost Sub-team will interact with the SEB in the development of the TEC.

3.0 APPLICABILITY

All EMCBC staff assigned to Acquisition Integrated Project Team (AIPs) and SEBs .

4.0 REQUIREMENTS & REFERENCES

4.1 Requirements:

- 4.1.1 Department of Energy Acquisition Regulation (DEAR) Part 915.4, Contract Pricing

- 4.1.2 Federals Acquisition Regulation (FAR) Part 2.101, Definitions.
- 4.1.3 Federal Acquisition Regulation (FAR) Part 15.400, Contract Pricing.

4.2 References:

- 4.2.1 Department Of Energy Acquisition Guide 15. 1, Source Selection Guide
- 4.2.2 EM Head Contracting Authority (HCA) Directive 1.3, dated June 1, 2011.
- 4.2.3 IP-243-03, Identifying, Filing and Maintaining Records.
- 4.2.4 IP-540-02, Rev. 1, Receipt and Handling of Offeror's Proposals.
- 4.2.5 IP-540-11, Management of an Integrated Project Team (IPT)/Source Evaluation Board (SEB) at the EMCBC.
- 4.2.6 IP-540-15, Review and Approval of Proposed Sales, Procurement, Financial Assistance, and Subcontract Actions, Rev. 1

5.0 DEFINITIONS & ACRONYMS

- 5.1 Acquisition Integrated Project Team (AIPT) – A team formed to prepare pre-award acquisition documentation required by the Federal Acquisition Regulation (FAR) and DOE directives, leading up to, and including, the final solicitation.
- 5.2 Acquisition Planning (AP) – means the process by which the efforts of all personnel responsible for an acquisition are coordinated and integrated through a comprehensive plan for fulfilling the agency need in a timely manner and at a reasonable cost.
- 5.3 Basis of Estimate (BOE) – Documentation that describes how an estimate, schedule, or other plan component was developed, and defines the information used in support of development. A basis document commonly includes a description of the scope, methodologies, references and defining deliverables, assumptions and exclusions, clarifications, adjustments, and level of uncertainty.
- 5.4 C/P – Office of Contracting, Contract Cost & Pricing Team Personnel.
- 5.5 Contracting Officer (CO) – Means a person with the authority to enter into, administer, and/or terminate contracts and make related determinations and findings.
- 5.6 Cost or Price Evaluation (FAR Subpart 15.305) – When contracting on a cost-reimbursement basis in a competitive negotiated acquisition, includes both a price analysis and a cost realism evaluation. A price analysis is conducted through the comparison of proposed prices received in response to a solicitation. Normally, adequate price competition establishes a fair and reasonable price. A cost realism analysis is conducted by determining what the Government should realistically expect to pay for the proposed effort, evaluation of the offeror's understanding of the work, and evaluation of the offeror's ability to perform the contract. The Contracting Officer shall document the cost or price evaluation.
- 5.7 Cost Realism (FAR Subpart 2.1, FAR 15.404-1, DOE AG Chapter 15.1, Part VIII) –
 - 5.7.1 Is performed to ensure that costs are realistic for the work to be performed; reflect a clear understanding of the requirements, and, are consistent with the unique methods of performance and materials described in the offeror's technical proposal.
 - 5.7.2 Is performed on cost reimbursement type contracts in a competitive negotiated acquisition to determine the probable cost of performance of each offeror. The probable cost may differ from the proposed cost and should reflect the

Government's best estimate of the cost of any contract that is most likely to result from the offeror's proposal. The probable cost is determined by adjusting each offeror's proposed cost, and fee where appropriate, to reflect any additions or reductions in cost elements to realistic levels based on the results of the cost realism analysis. The probable cost shall be used for purposes of evaluation to determine the best value.

- 5.7.3 Cost realism analyses may also be used on competitive fixed-price incentive contracts or, in exceptional cases, on other competitive fixed-price-type contracts when new requirements may not be fully understood by competing offerors, there are quality concerns, or past experience indicates that contractors' proposed costs have resulted in quality or service shortfalls. Results of the analysis may be used in performance risk assessments and responsibility determinations. However, proposals shall be evaluated using the criteria in the solicitation, and the offered prices shall not be adjusted as a result of the analysis.
- 5.8 Cost Sub-team – Team designated to perform the technical evaluation of cost. This team typically includes OCE&A and C/P personnel with support from SME's as required.
- 5.9 Cost Sub-team Lead– Designated team lead for the Cost Sub-team.
- 5.10 Independent Government Cost Estimate (IGCE) – DOE O 413.3-21 defines the IGCE as, “the government’s estimate of the resources and their projected costs that a contractor would incur in the performance of a contract. These costs include direct costs such as labor, supplies, equipment, or transportation and indirect costs such as labor overhead, material overhead, as well as general and administrative expenses, profit or fee.” The IGCE is the Government’s own estimate and is generally not based on information obtained from contractor/ offerors proposals submitted in response to an RFP.
- 5.11 OCE&A – Office of Cost Estimating & Analysis Personnel. 2.1-13)
- 5.12 Source Selection Plan – The Source Selection Plan (SSP) is a key document which specifies how the source selection activities will be organized, initiated, and conducted. It serves as THE guide for conducting the evaluation and analysis of proposals, and the selection of source(s) for the acquisition. It can best be described as a blueprint for conducting the source selection.
- 5.13 Request for Proposals (RFPs) – are used in negotiated acquisitions to communicate Government requirements to prospective contractors and to solicit proposals. (FAR 15.203(a))
- 5.14 Request for Task Proposal (RFTP) – are used to communicate Government requirements to multiple awardees under a specific IDIQ. Orders shall be within the scope, issued within the period of performance, and be within the maximum value of the contract.
- 5.15 Solicitation – “Solicitation” means any request to submit offers or quotations to the Government. Solicitations under negotiated procedures are called “requests for proposals.”
- 5.16 Source Evaluation Board (SEB) – A team formed for the purpose of evaluating proposals received in response to a solicitation.
- 5.17 Subject Matter Expert (SME) – Technical and/or programmatic expert designated to support the AIPT/SEB within the scope of their area of expertise.

- 5.18 Statement of Work (SOW) – A Government-prepared document incorporated into the solicitation that states the overall performance requirements, also referred to as the Performance Work Statement (PWS).
- 5.19 Technical Evaluation of Cost (TEC) – is the process of reviewing and evaluating Offeror/Contractor's proposed resources are reasonable and realistic for the Offeror/Contractor's proposed technical approach as it relates to the performance of the work scope. This review includes determining if the Offeror/Contractor's proposal reflects a clear understanding of the requirements; the proposed technical approach in Volume II and Volume III are consistent, determining differences between the IGCE for each proposal submitted and between Offeror/Contractor's proposals and documenting the results. The resultant TEC report shall include documentation as to why or why not the resources proposed are reasonable and/or realistic.
- 5.21 Technical Evaluation Team (TET) – A team formed for the purpose of evaluating proposals received in response to a Request for Task Proposal.

6.0 RESPONSIBILITIES

6.1 Procuring Contracting Officer (PCO)

- 6.1.1 Is typically a voting member on the SEB.
- 6.1.2 After release of the RFP/RTP, is focal point for any inquiries.
- 6.1.3 After proposal receipt, controls exchanges with offerors.
- 6.1.4 Until the SEB has reached consensus on the technical evaluation, controls exchanges between the SEB and the Cost Sub-team.
- 6.1.5 Ensures procurement procedures and processes comply with all statutory requirements.
- 6.1.6 Ensures the written narrative and rationale supports assigned rating and evaluation is in accordance with Source Selection Plan.
- 6.1.7 Assure that SEB members fulfill their responsibilities.
- 6.1.8 The PCO will also act as the primary interface between the Cost Sub-team and the SEB. This includes serving as the intermediary for information and/or requests being passed between the SEB and the Cost Sub-team prior to the SEB reaching consensus on the offeror's technical approach.

6.2 Cost Sub-team

- 6.2.1 The Cost Sub-team typically consists of the CO, OCE&A, C/P, and SME's as required to conduct the cost realism and evaluation. The Cost Sub-team shall become thoroughly familiar with the offeror's proposals including Volume II, Technical Proposal, and Volume III, Cost and fee Proposal, before providing any recommendations to the CO and/or the SEB. Thereafter, the Cost Sub-team makes recommendations to the SEB based on the review and evaluation of Volumes II and III and as compared to the IGCE.
- 6.2.2 Cost Sub-team is responsible for developing, the draft TEC. Cost Sub-team will assist in the evaluation of the Offeror's proposed resources in any manner deemed necessary by the Contracting Officer. This may include, but is not limited to, summarizing resources proposed by the Offerors, including the inclusion of the IGCE resources for comparison, analyzing the differences between the Offeror's proposed resources, analyzing if differences exists between the technical and cost volumes, reviewing BOEs to determine reasonableness and realism.

- 6.2.3 Cost Sub-team conducts reviews of the Offeror's proposed resources as deemed necessary by the Contracting Officer and performs reconciliation to the IGCE.
- 6.2.4 SME's conduct their technical evaluation of Offeror technical approaches, review offeror BOE's, and provide technical assistance to C/P and/or OCE&A as needed to facilitate cost evaluation.
- 6.2.5 The CP team will compute the cost adjustments based on the technical assessments of the proposed resources with assistance as necessary from the Cost Sub team.

6.3 Cost Sub-team Lead

- 6.3.1 Will be determined based on availability and skill set assigned, however, the Cost Pricing lead has the responsibility for obtaining an adequate TEC.
- 6.3.2 Coordinates team activities to ensure completion in accordance with the direction of the PCO/ SEB Chairperson.
- 6.3.3 Tracks and reports team progress to the PCO/ SEB Chairperson.
- 6.3.4 Acts as the Contracting Officer's Representative (COR) for contract support services if needed to support the Cost Sub-team.

6.4 SEB Chairperson

- 6.4.1 Is appointed by the Source Selection Official (SSO), also referred to as the Source Selection Authority (SSA) (Reference: EM HCA 1.3).
- 6.4.2 Initiates the Major Acquisition Planning Worksheet (See IP-540-11) and carries out assigned duties for the duration of an SEB.
- 6.4.3 Acts as the project manager, ensuring that schedules are established, the SEB Report is thorough and understandable, and work is accomplished in a timely fashion.
- 6.4.4 Offers testimony about the nature and reasonableness of the evaluation if needed.
- 6.4.5 Performs all duties as detailed in IP-540-11, Rev.1, "Pre-Solicitation" IPT-SEB Implementing Procedure.
- 6.4.6 Assists the AIPT with development of the Final RFP/RFTP in accordance with DOE policies and procedures. The Final RFP version is published as a solicitation in accordance with FAR requirements, and the RTP is issued in accordance with associated contract requirements.
- 6.4.7 Is the primary interface between the PCO, Cost Sub-team and the SEB.

7.0 GENERAL INFORMATION – NOT APPLICABLE

8.0 PROCEDURE

The purpose of this procedure is to identify the process for performing a TEC of proposals received for a competitively negotiated acquisition. The objective of this procedure is to ensure that informed, objective, timely, and documented decisions are consistent with the expectations of and direction provided by the CO and the SEB Chairperson associated with the proposed acquisition. The Flowchart illustrating the TEC process is shown part 10.0.

- 8.1 RFP/RFTP Development – The Acquisition Integrated Project Team (AIPT)/Source Evaluation Board (SEB) are formed to begin work on the planned acquisition. This integrated team includes technical, cost analyst, programmatic, acquisition, legal, and other SME's with specific expertise and/or interest in the acquisition. The AIPT/SEB is responsible for developing the RFP/RFTP. The Cost Sub-team members may serve on the AIPT.
- 8.2 Preparing the IGCE – The basic requirement for a sound and defensible IGCE is a good SOW/PWS. The SOW/PWS is the source document that defines the Government's requirements for a project or service. An accurate and defensible IGCE cannot be developed without a clear, complete and concise SOW/PWS because the SOW/PWS serves as the basis for both the IGCE and the offeror's proposals.
- 8.2 Pre-TEC Actions
 - 8.2.1 The PCO will initiate the TEC, with support of counsel.
 - 8.2.2 Once Cost Sub-team members have received and signed a non-disclosure agreement (NDA), they can review source selection sensitive materials, including offeror's proposal information.
 - 8.2.3 The offerors' proposal information which includes the Volume II, Technical Proposal and Volume III, Cost and Fee Proposal) have been released for TEC are issued to the Cost Sub-team Lead.
- 8.3 TEC Review Plan
 - 8.3.1 The Cost Sub-team conducts a thorough review of the following: RFP requirements for the cost proposals, offeror's proposal (Volume II, Technical Proposal and Volume III, Cost and Fee Proposal), IGCE and any other documents provided by the CO and/or SEB Chair. Based on this review, the Cost Sub-team will develop a plan for completing the TEC and developing the supporting documentation.
 - 8.3.2 The TEC Review Plan will include: assignment of review responsibilities of Cost Sub-team members based on the technical requirements of the RFP and individual expertise; establish milestones for completion of assignments; identifying process for reporting progress to the CO; identifying processes for quality control; and the proposed organization for TEC documentation.
- 8.4 Evaluation and Development of Draft TEC Documentation –
 - 8.4.1 The Cost Sub-team conducts their evaluation in accordance with the TEC review Plan. This review will include a detailed review of RFP/RFTP documents, offeror proposals, as well as evaluation of resources.
 - 8.4.2 The final, conformed, RFP/RFTP documents will be reviewed along with responses to questions and answers published by the AIPT, which entail the

solicitation requirements. Any differences between the assumptions in the IGCE BOE and these documents will be evaluated for potential impacts to the IGCE. This evaluation will be included in the Draft TEC documentation.

8.4.3 Review Offeror Submissions: Each offeror's cost proposal, including BOE's, will be evaluated against the offeror's technical approach (Volume II), cost and fee proposal (Volume III), resource loaded schedule and solicitation requirements. This evaluation will be included in the draft TEC documentation and will include the following:

- Analyze any significant differences between the proposal and IGCE.
- If you determine that the IGCE is not reasonable (e.g., a major element was omitted), you should take action to correct the estimate before completing analysis.
- Are the proposed costs/prices consistent with the various elements of the technical proposal?
- Verify if the proposed technical approach is consistent with the BOE's described in the proposal's cost information and note any differences.
- Verify if the proposed technical approach is consistent with the BOE's described in the IGCE.
- Determine if the proposal includes resources to perform all of the SOW requirements.
- Determine if the proposal includes resources for any work scope that is not included in the SOW.
- Evaluate documentation proposed by the Offerors/Contractor's to determine if the proposed resources are reasonable considering the work to be completed and the activities proposed to complete that work.
- Determine if each proposal's resources information includes sufficient documentation to support the conclusions reached for the TEC's most probable cost for that proposal. Identify the areas where the information is lacking including a description of the type of information needed.
- Where appropriate, the Cost Sub-team will identify areas recommended for technical adjustment(s) for consideration by the SEB.

8.4.4 Reconciliation of resources against the IGCE:

8.4.4.1 IGCE Evaluation by Element of Cost - Analyze the following cost information from each proposal in comparison to the IGCE:

- Direct Labor, Labor markup, fringe benefit Costs.
- Material Types and quantities, material overhead and markups.
- Equipment costs including rental, capitalization, O&M, Fuel, etc. materials
- Subcontract Costs
- Transition costs, travel, per-diem, relocation, etc.
- DOE Specified Costs
- Other Direct Costs
- Significant costs can vary by solicitation and are identified in the solicitation costs instructions and these should also be evaluated (i.e., waste transportation, treatment and disposal; field sampling and analysis; personal protective equipment (PPE) costs; etc.)

8.4.4.2 IGCE Evaluation by CLIN/WBS Element: Depending on the solicitation, the proposals can be reconciled with the IGCE by contract line item number (CLIN) or PWS WBS number. The IGCE CLIN/WBS and Proposal(s) must be presented and evaluated at the same level. These are the major work activities required to perform the SOW activities and evaluation will include:

- Labor Skill mix proposed to complete the SOW;
- Types and quantities of materials;
- Equipment types and quantities;
- Facilities and other support;
- Schedules and Critical path analysis of activities to analyze resource levels needed to coordinate activities to meet proposed schedule.
- Analysis in the form of comparative charts to illustrate differences among offerors and the IGCE for items reviewed.

8.4.5 Comparison of resources to other offers:

8.4.5.1 Evaluation by Element of Cost – compare offerors by: direct labor, labor markup, fringe benefit costs; material types and quantities, material overhead and markups; equipment costs including rental, capitalization, O&M, fuel, etc. materials; subcontract costs; transition costs, travel, per diem, relocation, etc., and Other Direct Costs. Significant costs can vary by solicitation and are identified in the solicitation costs instructions and these should also be evaluated (i.e., waste transportation, treatment and disposal; field sampling and analysis; personal protective equipment (PPE) costs; etc.)

8.4.5.2 Evaluation by CLIN/WBS Element: Depending on the solicitation, the proposals can be compared by contract line item number (CLIN) or PWS WBS number. The IGCE and Proposal(s) must be presented and compared at the same CLIN/WBS level. The major work activities required to perform the SOW/PWS and comparison will include: labor skill mix proposed to complete the SOW/PWS; types and quantities of materials; equipment types and quantities; facilities and other support; schedules and critical path analysis of activities to analyze resource levels needed to coordinate activities to meet proposed schedule. Analysis in the form of comparative charts to illustrate differences among offerors and the IGCE for items reviewed.

8.4.6 Interaction With SME's –

8.4.6.1 The CO determines who the Cost-sub team may interact with and when. Before the Cost-sub team provides any information to any SME, CO approval must first be provided.

8.4.6.2 The Cost Sub-team may interact with SME's authorized by the CO to develop the Draft TEC.

8.4.7 Interaction with SEB

8.4.7.1 The Draft TEC documentation will be submitted to the CO for review by the SEB once they have developed their draft consensus documentation.

8.4.7.2 The Draft consensus documentation will be distributed to the Cost Sub-team for review. The Cost Sub-team will review the draft consensus documentation against the draft TEC to ensure that cost/resource related items have been addressed.

8.5 The Cost Sub-team will review the Draft TEC evaluation with the SEB. The SEB will review documentation to ensure draft consensus items related to costs/resources are included, and review the technical adjustments recommended by the Cost Sub-team, and determine if these adjustments are reasonable and valid as well as determine if other adjustments are necessary. Needed adjustments are identified for inclusion in the Interim TEC Documentation.

8.6 Interim TEC Documentation

8.6.1 TEC Documentation should include analysis that supports not only those costs that are determined as “not reasonable and/or not realistic” (resulting in an adjustment to the proposed cost) but the basis for the realism/ reasonableness of costs not questioned. In each case, documentation must include a definitive conclusion as to realism and reasonableness of items reviewed.

8.6.2 The Interim Documentation will include SEB recommended adjustments to the proposed costs based on the analysis described in the previous sections. The Cost Sub-team will develop costs for these proposed adjustments which could include development of alternative or check IGCE’s for portions of the work.

8.6.3 The Cost Sub-team will review interim documentation including all proposed technical adjustments identified by the SEB, with the SEB. The SEB will select final adjustments to be included in Final TEC documentation that will be included in the SEB report.

8.6 Final TEC Documentation –

8.6.1 The Cost Sub-team will present all cost review documentation for final review and approval by the SEB. Following comment resolution the Final TEC documentation will be prepared for inclusion in the SEB report.

8.6.2 The Final TEC Documentation should include a statement that the SEB recommends any adjustment and that following inclusion of the adjustment that the SEB has determined that the adjusted cost is realistic and reasonable.

9.0 RECORDS MAINTENANCE

Records generated as a result this implementing procedure are source selection sensitive documents classified as for official use only. Records shall be handled and maintained in accordance with EMCBC IP-243-03, Rev. 2.

10.0 FLOWCHART

Technical Evaluation of Cost Process Flowchart

